

2009 Recovery Act: Increased Eligibility for the Refundable Portion of the Child Tax Credit

The *American Recovery and Reinvestment Tax Act of 2009* (2009 Recovery Act) provides a temporary increase in the refundable portion of the child tax credit for the 2009 and 2010 tax years, which is accomplished by a reduction in the earned income floor for claiming the credit to \$3,000.

In general, individuals with dependent children under age 17 at the close of a calendar year are entitled to a \$1,000 credit per child through 2010, although the credit is phased out with income over certain threshold amounts. For 2008, individuals were eligible for a refundable credit (the additional child tax credit) equal to 15 percent of their earned income in excess of \$8,500, up to the child credit amount, if the total amount of their allowable credit exceeded their total tax liability (regular and AMT).

Families with three or more children may determine the additional child tax credit under an alternative formula if this results in a larger credit. Under this formula, the additional child tax credit equals the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income credit.

The 2009 Recovery Act changes the minimum earned income threshold for 2009 and 2010 to \$3,000, and therefore extends the benefit of this credit to a greater number of families than previous law afforded.

You and your family may qualify for the refundable child tax credit. Please contact our office so that we may discuss how you may take advantage of this tax benefit.